

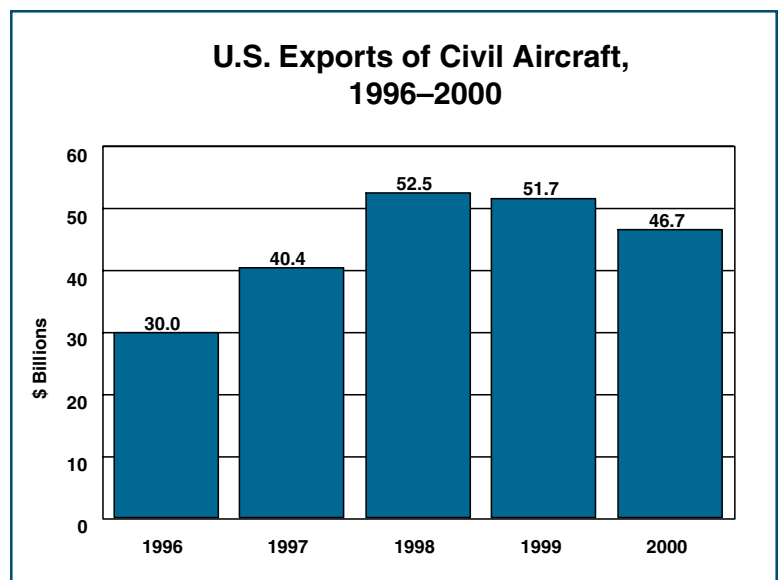


# Civil Aircraft and Parts

## *Why Trade Matters*

### INDUSTRY SECTOR REPORT

**General information on exports.** U.S. companies exported more than \$46 billion in civil aircraft and parts in 2000 to more than 195 countries around the world. Exports have increased 56 percent since 1996. The U.S. aerospace industry is extremely competitive in the global economy, consistently returning net trade surpluses to the United States.



**Market development.** U.S. civil aircraft exporters want to expand sales into markets that currently have market access impediments imposed by foreign governments to protect domestic producers or for other reasons. Foreign markets are crucial to the U.S. aerospace industry, given that 30 to 40 percent of its total output is exported.

**Tariffs.** Civil aircraft tariffs need to be lowered in key World Trade Organization (WTO) member markets such as India and in countries seeking to join the WTO such as Russia.

**Nontariff barriers.** Nontariff barriers in this sector include subsidies to develop new aircraft, regulatory restrictions (such as noncertification of U.S. aircraft), inducements to support sales bids of U.S. competitors, preferential financing to support Airbus export sales, offset requirements, and foreign government measures to stimulate airlines to purchase domestically produced aircraft.



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**Small and medium-sized enterprises.** While manufacturers of complete civil aircraft are large enterprises, they support the economic vitality of thousands of smaller companies. Boeing has more than 10,000 suppliers, most of which are small and medium-sized firms.

**Research and development.** U.S. aerospace companies overall spend a higher percentage of their annual sales on R&D than the average manufacturing industry.

**Employment opportunities.** The Commerce Department estimates that civil aircraft manufacturers and suppliers employ approximately 500,000 people throughout the country in high-tech, high-paying jobs.

**Key producing states.** The aerospace industry has suppliers and producers in all 50 states.

**The sector.** The civil aircraft sector includes helicopters, general aviation aircraft, large transport aircraft, engines and parts, avionics, and related parts.

## BENEFITS AND EFFECTS FROM PREVIOUS TRADE AGREEMENTS:

- ▶ Negotiated in 1979 during the Tokyo Round of the General Agreement on Tariffs and Trade, the Agreement on Trade in Civil Aircraft guarantees U.S. exporters of civil aircraft and some 250 civil aircraft parts duty-free access to 25 countries, including Japan, Canada, and markets in the European Union. The Uruguay Round established new trade disciplines over subsidies, the most important issue affecting U.S. competitiveness in aerospace trade.